

St. Maarten/St. Martin Entices U.S. Exporters With Duty-Free Status

The island of St. Maarten/St. Martin wasn't blessed with good soil and plentiful water, but its bountiful natural beauty serves as a mecca for U.S. and European tourists, and those tourists enjoy a meal prepared with the finest ingredients. The 76,000 people of St. Maarten, an island of the Netherlands Antilles, and St. Martin, a dependency of Guadeloupe, an overseas department of France, maintain distinct cultures while comfortably sharing their 37-square-mile island home.

According to Margie Bauer, director of FAS' Caribbean Basin Agricultural Trade Office, "The 1.3-million tourists a year and relatively affluent local residents make food imports a priority for the island. A dearth of local agricultural products explains an unusual duty-free status for food imports."

This duty-free status has also encouraged the island's development into a distribution hub for Anguilla, Saba, St. Barthelémy, St. Kitts and Nevis and St. Eustatius. Neighboring islanders boat or fly to the island to take advantage of its duty-free prices and larger selection of goods.

"These factors and proximity to the U.S. mainland make the island a prime market for U.S. agricultural products," Bauer said. "The island imports \$105 million worth of food products a year."

The food retail sector accounts for \$68 million or 65 percent of the island's food imports. The remaining 35 percent, pegged at \$37 million, is taken up by the food service sector.

St. Maarten Prefers U.S. Retail Products

U.S. exporters have managed to acquire

85 percent of the retail food market on the Dutch St. Maarten side of the island. However, on the French St. Martin side, exporters have found stiffer competition from France and other European countries—and so claim only a 35-percent share.

Florida Companies Max Out

Stateside, Florida companies have taken advantage of their proximity and now account for most U.S. exports to both sides of the island. St. Maarten imports 90 percent of its U.S. food products from Florida, while St. Martin imports about half its U.S. total from the state.

Also, European containers often travel via ports in Florida—a boon for Florida shipping firms—where they mostly are sent to the Dutch port of Philipsburg, which receives more than 90 percent of all ocean traffic coming to the island.

Supermarkets' Dual Role

The island has 12 supermarkets, 68 grocery stores, five gas marts and an open market. Supermarkets account for about 85 percent of the retail sector sales.

Supermarkets directly import about 60 percent of their products. For other products, they rely on three major wholesalers and the four supermarkets that also wholesale their imports.

"The island has a surprisingly diverse choice of foods," Bauer said. "The retail sector carries products that appeal to the island's 80 nationalities, besides catering to the palates of hungry tourists."

Retailers on the Dutch side report increased interest in convenience and value-added foods. On the French side, retailers find more consumer interest in low-fat and health foods. Neither side has much interest in private label products yet.

Most importers prefer receiving product catalogs with pricing and samples, though some do prefer meeting with a product representative. Importers attend trade shows to find new products.

The three wholesalers are primarily interested in major brands that do not compete with their existing lines. Supermarkets may be more receptive to small- and medium-sized U.S. companies because they like to offer wider choices to their customers.



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...U.S. EXPORTERS HAVE A MAJOR ADVANTAGE ... DUE TO STRONG DISTRIBUTION CHANNELS AND SHIPPING ACCESSIBILITY...

The largest supermarkets are located in the capitals of Philipsburg, St. Maarten, and Marigot, St. Martin. Mid-sized supermarkets are located in smaller urban areas.

Smaller Retailers Growing

Typically owned and operated by individuals, gas marts and other convenience stores usually buy their products from wholesalers. Gas marts are a relatively new concept, and not everyone has bought into paying more for convenience. These outlets are usually located in high-traffic, urban areas.

Mini-marts and kiosks play a finite role in the retail sector, but are ubiquitous. These smaller stores are constantly introducing new items to be more competitive.

Traditional Markets

The mom-'n'-pop independent grocery stores usually buy 80-100 percent of their products locally, relying on the advice of a wholesaler for new products. Occasionally, they might combine their purchasing power with other stores to im-

port directly. Since shelf space is limited, individual stores often try to distinguish themselves from competitors by selecting specialty items and ethnic foods that reflect the tastes of the neighborhood's residents.

The French capital of Marigot has a small, open market that offers fresh produce, spices and seafood.

Proximity Favors U.S. Goods

Though locals generally hold European and U.S. products in the same regard, U.S. exporters have a major advantage in the retail sector due to the strong distribution channels and shipping accessibility into St. Maarten. Goods from Europe typically take four weeks to arrive compared to one week from Miami.

The strongest competition in the retail sector of St. Martin comes from France, which has 60 percent of the market (and the highest market share of wines throughout the island). Brazil has a growing share



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of whole chicken imports, while pork ribs are purchased primarily from the Netherlands and Brazil. A few products from Canada, like bottled juices, are available.

On the St. Martin side, products of U.S. origin are often found in the meat, seafood and fresh produce categories. However, in all other categories, French and other European products dominate.

U.S. Dominates HRI

The United States enjoys an estimated 80-85 percent share of the \$37 million worth of food service imports for the hotel, restaurant and institution (HRI) industry on the island. Again, Florida companies hold the ace card in exporting U.S. products.

Altogether, the island boasts more than 6,500 hotel rooms and 500 restaurants. When researching market possibilities, exporters should keep in mind the ambiance of each side of the island. St. Martin offers an intimate and relaxed atmosphere in accommodations, excellent food and high-end boutiques. Dutch St. Maarten entertains with casinos, major resorts, shopping and nightlife.

Hotels and restaurants account for about 85 percent of the U.S. total food service sales; fast food chains account for about 10 percent; and institutions fill in the remainder.



While the heyday of tourism on the island came before the hurricanes of 1995, 1996 and 1998 damaged the sector, there is a strong comeback underway. In 1994, island visitors numbered 586,000 and cruise line passengers reached 717,000. Most of the momentum had been regained by 2000 when 512,000 stay-over tourists and 868,000 cruise passengers visited the island. Initial 2001 figures show a modest increase as well.

French products pose the only substantial competition for U.S. agricultural exporters in the HRI food import market. French imports range from 15 to 20 percent on the French side and from 10 to 15 percent on the Dutch side.

To keep sales flowing, U.S. exporters should take advantage of personal business relationships and relatively short and frequent shipping times from Florida.

Best Prospects

"The best opportunities for U.S. exporters in the retail sector include fresh produce, fresh juices, soft drinks, dairy products, meats, seafood, dry goods, specialty foods and pet food," Bauer said.

On both sides of the island, wholesalers are mostly interested in national brands, while supermarkets look for a wider choice of products.

As for potential in the HRI sector, "The two sides of the island market have idiosyncrasies that exporters should study carefully," Bauer said. "Wholesalers on the Dutch side import the full range of U.S. food service products. On the French side, meats, poultry and fresh produce are almost all of U.S. origin."

Most milk sold in retail stores is in powder form, but several wholesalers serving the retail sector have indicated an interest in fresh milk products. However, chefs on

What's Good, What's Not:

Exporting U.S. Food Products to St. Maarten/St. Martin

Advantages

The island's 100-percent duty-free status encourages imports and development of the island into a distribution hub to other islands.

Consumers are knowledgeable about U.S. brands from TV advertisements, tourist demands and travel to the United States.

Food import demand is fairly even throughout the year, as tourism is relatively constant.

St. Maarten has strong product influence from and purchasing ties to the United States.

The island enjoys an efficient and well-established distribution infrastructure.

Challenges

The high dependence of the local population on the tourism sector and the economic hardships as a result of damage from three hurricanes since 1995 have slowed consumer retail sales.

It may be difficult to find a wholesaler not representing a competing brand already.

Some consumers are hesitant to change from traditional product brands.

St. Martin has strong product influence from and purchasing ties to Europe, especially France.

Private label is not yet a significant category for sales.

both sides prefer European dairy products, mostly from France and the Netherlands.

A ray of hope for private label manufacturers—one lower-end food supermarket that introduced a few private label brands two years ago has just seen the products really start to move off the shelves.

Bauer emphasized how meeting French packaging requirements for expiration dates could make U.S. products more competitive. "Dry products sales to French St. Martin would be substantially enhanced if exporters printed the date of minimum shelf life for perishables or the date of optimal usage for non-perishables." Dates are not required for fresh produce, alcoholic beverages, vinegar, sugar, confectionery items and live shellfish intended for raw consumption.

St. Maarten follows the agricultural regulations established by the Netherlands, and St. Martin follows the agricultural regulations of France. "We have found that these regulations are not enforced in the same manner as within the European countries.

It is best to work closely with your importer to determine exactly what is acceptable," said Bauer. ■

For more information on the market for U.S. agricultural products in St. Maarten/St. Martin and elsewhere in the Caribbean, including a list of potential importers for your U.S. products, contact:

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For details, see FAS Reports C12001 and C11013. To find them on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

